

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7229

BILL NUMBER: HB 1369

NOTE PREPARED: Jan 14, 2004

BILL AMENDED:

SUBJECT: University Capital Projects

FIRST AUTHOR: Rep. Pierce

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill expands the dollar value of higher education capital projects: (1) that can be performed using higher education employees; and (2) that do not require advertising for bids. It increases from 4 to 20 years the maximum term of certain leases entered into by higher education institutions.

The bill reduces, from three to one, the number of appraisers required when a higher education institution sells real property. It also removes the requirement that the governor approve the sale of real property.

The bill increases various dollar amount triggers to determine whether certain higher education capital, repair, or lease projects must be approved by the Commission for Higher Education, the Governor, the State Budget Agency, or the General Assembly.

This bill increases from \$10 M to \$20 M the amount of bonds that an institution of higher education may issue without the approval of the General Assembly to finance a qualified energy savings project. The higher limit would apply at each academic campus.

Effective Date: July 1, 2004.

Explanation of State Expenditures: Currently, universities may purchase materials and perform work with its own employee and owned or leased equipment in the construction, rehabilitation, extension, maintenance, or repair of a building without awarding a contract if the cost of the work is less than \$50,000. The bill would increase the limit to \$150,000.

Currently, universities may award a contract for construction or repair work to buildings without advertising if the contract is less than \$50,000. The bill would increase the limit to \$150,000. Also universities have to

give notice of a project if the project is more than \$25,000 and less than \$50,000. The bill would remove that requirement.

Currently, if the value of property is \$500,000 or more, then universities must receive appraisals from three disinterested appraisers. The bill changes the appraisal of the property to one appraisal by a disinterested, qualified, licensed appraiser. It also removes the requirement that the sale of the property be approved by the Governor.

Currently, university projects of different dollar amounts require approval or authorization by the General Assembly, review by the Higher Education Commission (HEC), and approval by the Governor upon recommendation by the Budget Agency. The following chart shows the changes in the dollar levels that require the above approval.

Type of Project	Current Level	Proposed Level
<i>Projects in Addition to Ones Authorized by General Assembly with Available Funds</i>		
Construction	\$200,000	\$2,000,000
Purchase of Lease-Purchase Land, Buildings, or Facilities	\$100,000	\$2,000,000
<i>Projects with Part of Project Paid by State Appropriation or Student Fees</i>		
Construction	\$500,000	\$3,500,000
Purchase of Lease-Purchase Land, Buildings, or Facilities	\$300,000	\$3,500,000
<i>Repair and Rehabilitation Projects</i>		
Paid by State Appropriation or Student Fees	\$500,000	\$2,000,000
Other Sources	\$1,000,000	\$3,000,000
<i>Projects to lease, other than lease-purchase, a building or facility</i>		
Paid with funds that include plant expansion funding or repair and replacement funds	\$50,000	\$100,000
Other Sources	\$50,000	\$250,000
<i>Contracts to Acquire Land for Construction, Purchase, or Otherwise Acquire (Governor & Budget Agency Approval Only)</i>	\$50,000	\$250,000

Any fiscal impacts from changing the thresholds are indeterminable.

Qualified Energy Project Bonds: The bill would increase the limit on the debt issuance for qualified energy projects from the current \$10 M per university to \$20 M per campus. Indiana University has seven campuses in its system, while Purdue University has four regional campuses.

Two universities report using the qualified energy saving bonds. Purdue had an outstanding balance of \$7,211,402 on June 30, 2003, and the University of Southern Indiana had a balance of \$880,588. Indiana University has a \$2 M project for Indiana University Northwest approved by the Higher Education Commission. The requests for proposals for the project will be sent soon.

The bonds would have no state fiscal impact since the state would not pay fee replacement on these bonds and the bonds should be financed from energy savings. These projects would still be required to be reviewed by the Commission for Higher Education and approved by the Governor before the project could be started or the land purchased.

Capital Projects: Under current law, capital projects must be reviewed by the Commission on Higher Education and approved by the Governor if the cost is greater than \$200,000. For projects to construct buildings or facilities with a cost greater than \$500,000 in value and paid by state-appropriated funds or student fees, the project must be reviewed by the Commission on Higher Education and approved by the Governor and the General Assembly (IC 20-12-5.5-2(a)(1)).

To pay for the costs of capital projects, universities may issue and sell bonds so long as the bonds are supported by mandatory fees that are assessed on all students and approved by the General Assembly (IC 20-12-5.5-4). The General Assembly may appropriate fee replacement monies for the replacement of student fees dedicated to pay the principal and interest costs of bonds as approved by the General Assembly (IC 20-12-5.5-5).

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Universities, Higher Education Commission, Budget Agency, and Governor.

Local Agencies Affected:

Information Sources:

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